MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2021/2022

BAC1614 – FUNDAMENTALS OF FINANCIAL ACCOUNTING

(All sections/Groups)

25 NOVEMBER 2021
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 8 pages with 4 questions only.
2. Attempt **ALL** questions.
3. Please write all your answers in the Answer Sheet provided.

QUESTION 1

Part A

1. Financial statements are the major means of communicating accounting information to internal and external users.
2. Bookkeeping and accounting are one and the same because the bookkeeping function includes the accounting process.
3. The Financial Accounting Standards Board is a part of the International Accounting Standards Board.
4. IFRS follows one measurement principle known as the historical cost principle.
5. The economic entity assumption requires that the activities of an entity be kept separate and distinct from the activities of its owner and all other economic entities.
6. Owners' claims to total business assets take precedence over the claims of creditors because owners invest assets in the business and are liable for losses.
7. The principal source of equity is amounts paid in by shareholders.
8. The purchase of office equipment on credit increases total assets and total liabilities.
9. The ending retained earnings balance is reported on the statement of financial position.

Required

State whether each statement above is TRUE or FALSE. (9 marks)

Part B

1. The person with primary responsibility for reconciling the bank account and making all bank deposits is also the company's accountant.
2. Canele Company's treasurer received an award for distinguished service because he had not taken a vacation in 30 years.
3. In order to save money spent on order slips and to reduce time spent keeping track of order slips, a local restaurant does not buy pre-numbered order slips.

Required

Explain which control activity is violated and how the situation creates an opportunity for a fraud. (9 marks)

Continued …

Part C

The bank statement for Darling Company shows a balance per bank of RM15,907.45 on June 30, 2020. On this date the balance of cash per books is RM11,709.45. The company determines the following reconciling items for the bank.

1. Deposits in transit of RM2,201.40
2. Outstanding checks: No. 353, RM3,000.00; No. 357, RM1,401.30; No. 360, RM1,502.70
3. Unrecorded electronic receipt from customer on account on June 9 determined from the bank statement of RM1,035.00
4. Unrecorded charges determined from the bank statement are as follows:
    - Returned NSF check on June 29 of RM425.60
    - Debit and credit card fees on June 30 of RM120.00
    - Bank service charges on June 30 of RM30.00
5. Check No. 343 was correctly written by the company for RM1,226 and was correctly paid by the bank on June 12. However, it was recorded as RM1,262 on Darling's books.

Required

Prepare the bank reconciliation for this company as at 30 June 2020. (7 marks)

(Total: 25 marks)

Continued …

QUESTION 2

(a) Katta Kayu Sdn Bhd had a balance in its Allowance for Doubtful account of RM12,000 as at 1 January 2021. The following transactions and events affected the Allowance for Doubtful account during the current year:

March 15 One of the account receivables of RM5,500 was deemed uncollectible
May 1 Another receivable who had been written-off in the previous year, paid full amount RM2,000.
Dec 31 Estimated that RM10,000 of accounts receivable balance would be uncollectible.

Required

(i) Prepare the journal entries to record the above transactions. Show all workings. (5 mark)

(ii) State the amount that should be reported in Allowance of Doubtful account in the Statement of Financial Position at 31 December 2021. (1 mark)

(b) Starby Company had been in the industry for a few years. Presented below are selected transactions of the company for the year ended 2021.

Jan 1 Disposed an equipment that was purchased 10 years ago. The equipment original cost was RM70,000. It had useful life of 10 years with RM5,000 residual value which received by cash on the same date.
June 30 Sold a machine that was purchased on 1 January 2019 for RM15,000. The machine cost RM26,000 with residual value of RM1,000 and 5-year useful life.
Dec 31 Sold a delivery truck for cash RM30,000. The truck was purchase on 1 January 2016 with cost RM100,000. It was depreciated based on 10-year useful life with RM5,000 residual value.

Required

Journalise all entries required on the above dates, including entries to update depreciation, where applicable. The company uses straight-line depreciation for all its property, plant and equipment and depreciation charge updated until 31 December 2020.

(9 marks)

Continued …

(c) Muble Bhd financial statement for year ended 31 December 2021 and 31 December 2020 presented below:

Muble Bhd **Comparative Statement of Financial Position**		
	2021 **RM**	**2020** **RM**
Assets		
Property, plant and equipment (net)	450,000	400,000
Inventory	120,000	150,000
Accounts receivable (net)	100,000	80,000
Short-term investments	60,000	90,000
Cash	75,000	95,000
Total	**805,000**	**815,000**
Equity and Liabilities		
Share capital – ordinary	330,000	330,000
Retained earnings	195,000	140,000
Bonds payable	150,000	110,000
Accounts payable	50,000	65,000
Short-term notes payable	80,000	170,000
Total equity and liabilities	**805,000**	**815,000**

Muble Bhd **Income Statement for the year ended 31 December 2021**	
	RM
Net sales	800,000
Cost of goods sold	480,000
Gross profit	**320,000**
Operating expenses	84,000
Income from operations	**236,000**
Interest expense	36,000
Income before income tax	**200,000**
Income tax expense	60,000
Net Income	**140,000**

Additional information:

1. Cash dividend of RM40,000 were declared and paid in 2021.
2. Weighted average number of ordinary shares outstanding during 2021 was 30,000 shares.
3. Market value of ordinary shares on 31 December 2021 was RM20.

Continued …

Required

Using the financial statements and additional information, compute the following ratios for Muble Bhd for 2021. Show all workings.

(i) Current ratio
(ii) Earnings per share
(iii) Price earnings ratio
(iv) Acid-test ratio
(v) Accounts receivable turnover
(vi) Time interest earned
(vii) Profit margin
(viii) Inventory turnover
(ix) Payout ratio
(x) Return on assets

(10 marks)

(Total: 25 marks)

Continued …

QUESTION 3

(a) Aldous Bhd is a newly establish organisation. At the end of its first accounting year 31 December 2021, the trial balance contained the accounts shown below.

	Debit (RM)	**Credit (RM)**
Cash	18,400	
Accounts receivable	24,000	
Equipment	75,000	
Prepaid insurance	3,600	
Salaries and wages expense	56,000	
Supplies	12,000	
Advertising expense	4,500	
Utilities expense	11,000	
Notes payable		42,000
Accounts payable		18,000
Share capital – ordinary		25,000
Service revenue		119,500
	204,500	**204,500**

Analysis reveals the following additional data:

1. The balance of supplies at the end of the year was RM2,500.
2. The note payable was issued on 1 April 2021. It is a 5%, 12 months note.
3. Insurance paid is the premium on one-year policy which cover from 1 July 2021 until 30 June 2022.
4. Depreciation for equipment is 10% per year based on straight line method.
5. Utilities for December 2021 amounting to RM1,000 haven't been paid by the business.

Required

(i) Journalise the adjusting entries as 31 December 2021. (5 marks)

(ii) Prepare adjusted trial balance as at 31 December 2021. (5 marks)

Continued …

(b) Balmond Bhd had the following adjusted trial balance as at 31 December 2021.

	Debit (RM)	**Credit (RM)**
Cash	22,800	
Accounts receivable	12,600	
Equipment	40,000	
Accounts payable		8,800
Accumulated depreciation – equipment		8,000
Share capital – ordinary		20,000
Retained earnings		18,000
Dividends	6,600	
Service revenue		62,600
Unearned service revenue		6,500
Rent revenue		8,800
Salaries and wages expense	44,000	
Depreciation expense	4,000	
Supplies expense	1,500	
Utilities expense	1,200	
	132,700	**132,700**

Required

(i) Prepare journal entries to close the accounts. (6 marks)

(ii) Prepare statement of retained earnings for the year ended 31 December 2021. (4 marks)

(c) In completing accounting cycle, each step must be complete and repeated through accounting period. One of the most important parts of accounting cycle is adjusting entries where the company analysis the accrual and prepayment of the business.

Briefly discuss the differences between adjusting entries and correcting entries. Give example of each. (5 marks)

(Total: 25 marks)

Continued …

QUESTION 4

Part A

Listed below are the transactions for Elina Berhad during the month of July 2020:

Jul 1	Elina Berhad issued RM100,000 ordinary share capital by cash to public.
Jul 3	Purchased office equipment costing RM50,000 by signing a 6-month, 12% of note payable.
Jul 5	Received a RM12,000 cash advance from Jessy, a client for services that are expected to be completed by December 31, 2020.
Jul 9	Paid RM6,000 for a one-year insurance policy that will expire next year on June 30.
Jul 13	Purchased an estimated 3-month office supplies on account from supplier for RM2,500.
Jul 20	Declared and paid RM5,000 cash dividend to shareholders.
Jul 24	Paid salaries to employees of RM4,000 by cash.
Jul 25	Received RM10,000 in cash from Mimi, a client for services performed during the month.
Jul 30	Paid office rent during the month of RM2,000 by cash.

Required

(a) Prepare journal entries for the transactions above. (9 marks)

(b) Prepare the trial balance as at 31 July 2020. (7 marks)

Part B

Inventory is accounted for at cost. Cost includes all expenditures necessary to acquire goods and place them in a condition ready for sale

Required:

Explain the inventory costing methods and its effects on financial statements and tax computation. (9 marks)

(Total: 25 marks)

End of Paper